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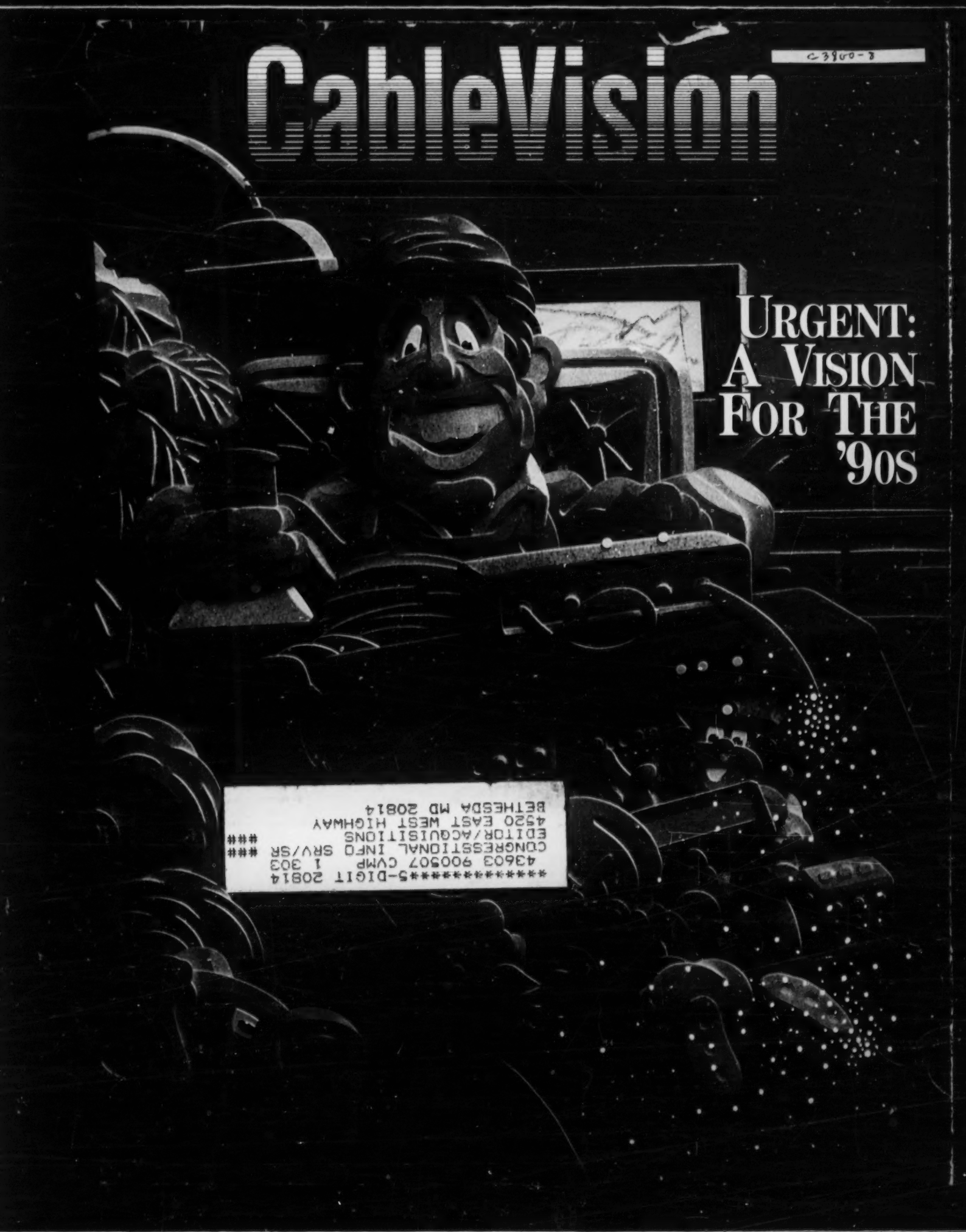

URGENT: A VISION FOR THE '90S

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Cable

INFORMATION AND ANALYSIS FOR CABLE TELE

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If-carry, must-pay
The NAB infuriates cable leaders by endorsing cable reregulation and by demanding steep payments for carriage of local signals

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HA! steams ahead
Although rumors of some sort of merge continue swirling, MTV's HA! signs 10 off-net sitcoms and plunges ahead toward an April launch

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Clasen packs for Europe
Bob Clasen will be heading to Europe to spearhead Comcast's renewed efforts to crack the overseas market

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AT&T, having reached the limits of AM DFB laser development, has found new ways to obtain significant gains in link performance, and Anixter is happy

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Ted Turner offers a cool half-million, and maybe a movie contract,to any writer who pens a novel outlining ways to ensure survival of the planet. (See p.14)

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WGRC awaits its ratings fate
That it is 29 percent ahead of plan in advertising revenue bodes well for WGRC, the LO-turned-indie channel at ATC's Rochester system. But whether the concept will in fact be replicated elsewhere hinges on viewership, and that answer will come soon with the release of Nielsen and Arbitron reports

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Shining a light for literacy
TeleScripps Cable in Rome, Ga., is reaching out to the thousands of adults in its area who cannot read by embarking on a literacy campaign that is being applauded by many community organizations

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Mile Hi builds a new home
A commitment to strengthening the heart of Denver is behind Mile Hi's decision to build a new headquarters there

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Vision
MANAGEMENT DECEMBER 18, 1989

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A vision for the '90s
George Bush isn't alone in having trouble with 'the vision thing.' The cable business is great now, but the challenges of a new decade may demand fresh approaches

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Seeing the future in HDTV
Even though a transmission standard is years off, programmers are becoming familiar with HDTV studio production. You've probably already seen it on TV

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Getting to 70% penetration
If cable is to achieve anything close to universal service, it must bootstrap customer relations and drive home the branding of its products

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Local programming, particularly hometown sports, is shaping up as the next driver of system ad sales

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Reregulation in the new era
Expectations have been that Congress would throw everything but the kitchen sink at cable, but the face of reregulation may not be so gruesome

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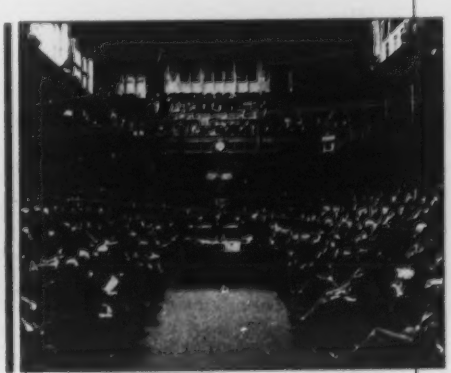
Innocents abroad
A book of etiquette may be an executive's best friend as the industry plots the international expansion key to cable's '90s agenda



Although televising Parliament signifies a new era in the U.K., 'you couldn't get people to work (in London) for just a two-week holiday, says Amanda Seward, TBS attorney (see p. 94)

QUARTERLY EARNINGS CHART

Dollar amount in thousands

Company (Quarter/Fiscal Year)	Revenues	%Change	Operating Profit	%Change	Net Income	%Change
Phoenix American (3rd/89)	$ 9,346	29.2	$ N.A.	N.A.	$ 1,734	- 8.6
Scientific-Atlanta (3rd/89)	145,090	13.8	12,804	17.8	8,835	23.8
UA Entertainment (3rd/89)	366,300	N.A.	106,600	N.A.	-21,400	N.A.

• **Cable Computerized Management Systems** concluded its marketing agreement with **Channelmatic**, covering several cable advertising traffic and billing software products. Channelmatic had retained exclusive distributorship of the CCMS line the past few years, selling the software in conjunction with insertion gear. Also, **Alpha Technologies** will allow **Brad PTS** to provide operators with out-of-warranty repair services on company-produced standby power supplies. On its own, Brad will carry impulse pay-per-view devices developed by **Keptel Armiger.** Known as AA-103A-4CATV, the product eliminates the need for wiring equipment in coupling impluse PPV converters to phone lines.

• **Sports Media Sales,** a division of **Cable Media Inc.**, will represent **Mizlou Sports News Network** on Midwest regional advertising sales. Cable Media, which is based in Chicago, serves a similar function for other national basic channels. Mizlou is scheduled to debut its network Feb. 1.

• **Republic Pictures** has sold two first-run travel series that will debut on **The Discovery Channel** early next year. Both programs feature nationally syndicated columnist Laura McKenzie on assignment worldwide. Discovery will get 35 hours of *Travel Tips* and 33 *Round Trip* half-hours, produced by Associated Television International. This is the first original programming

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The CABLE POLL

DATABASE

TMMidwest CATV & CableVision Magazine

Half of all operators surveyed say they have capacity to load three extra channels

It is widely assumed in the cable business that most systems today are fully loaded and simply do not have available capacity to squeeze in any more programming services. According to this conventional wisdom, which frequently is cited in the debate over the prospects of the two comedy channels and other new services hoping to gain carriage, fallow channels are an endangered species that will be saved from extinction only by the spate of rebuilds now underway.

But statistics from the Cable Poll™, in what is believed to be the first thorough documentation of unused capacity, reveal that there probably are many more fallow channels out there than assumed. Interviewed by Cable Poll™ researchers, 51 percent of the nearly 400 operators surveyed said their systems have available capacity to add three or more new services. Eleven percent of operators said they were capable of adding two new channels and 22 percent said they had room for one new service. The poll has a margin of error of plus or minus five percent. An extrapolation of the figures, based on the midpoints of the responses, indicates that the typical cable system has available capacity to add 1.95 channels.

Number 7 in a series of ten

Several MSO and program network executives who were asked to comment on the data, however, said it would be wrong to conclude from the statistics that all or most of those dark channels in fact are usable. Much of this capacity could be tied up in dedicated but unused LO or PEG channels; others could become usable only after a converter retrofit or upgrade, while still others may have been committed by MSO headquarters to the slow rollout of a new service.

On the other hand, a close scrutiny of the statistics indicates that available capacity may be greater than assumed because the pace of the industry's rebuilds may be further along than is assumed. That conclusion is prompted by a breakdown of the data on available capacity according to a system's number of subscribers and size of MSO ownership. While 41 percent of systems owned by top 25 MSOs said they had three or more available channels, 70 percent of those owned by MSOs outside the top 100 said they had that much excess capacity. And at individual systems, the number saying they had three or more channels available runs in inverse proportion to number of subscribers served. These older, "classic" segments of the industry are believed to have begun rebuilding and expanding channel capacities before their urban counterparts.

Even granting those caveats, the executives still expressed surprise at the statistics on available capacity. "That's just amazing to me," said TKR President Paul Freas in a comment typical of many. But he and other MSO chiefs, while conceding that their systems could accommodate a few more channels if necessary, said that's a big "if," given the continuing escalation of programming costs. In an operational sense, the executives said, channel capacity is of less meaning as a critical yardstick than financial capacity, and on that count many said their programming budgets are fully loaded.

"The problem we have is that without adding anything, our programming rates will go up about 12 to 15 percent just from built-in increases" as rate increases agreed to in earlier years begin to kick in, said the CEO of a top 10 MSO who asked not to be identified because he was disclosing budgetary information. "If you have put TNT on, as we did, you will get a 15 percent increase in the out years. And for many of the other, older services, if you have longer-term contracts, you have built-in increases in many cases," this CEO added. "So when I look across my systems, what I see is costs increasing 13 percent on average with no increase in programming. You then add on top of that that many of us have committed to the Goodwill Games, and you're over 15 percent for the year before you add any new services."

Given that most systems are carefully husbanding their available channels for budgetary reasons, the programmers which do stand a good chance of grabbing one of these unused channels are those which now split a channel, said Nick Davatzes, president of Arts & Entertainment Network. "I would think it makes perfect logic (to give a dark channel to a service now carried part-time)," Davatzes said, pointing to three factors. "One, you have a longstanding business commitment to do that; second, it is cost-effective because you already are paying for the service; and third, you can pick up on the ability to serve the consumer the way it (the channel) was designed."

Davatzes said that A&E now shares a channel on systems reaching four million subscribers. Over the next year A&E believes that number will be reduced by one million as the

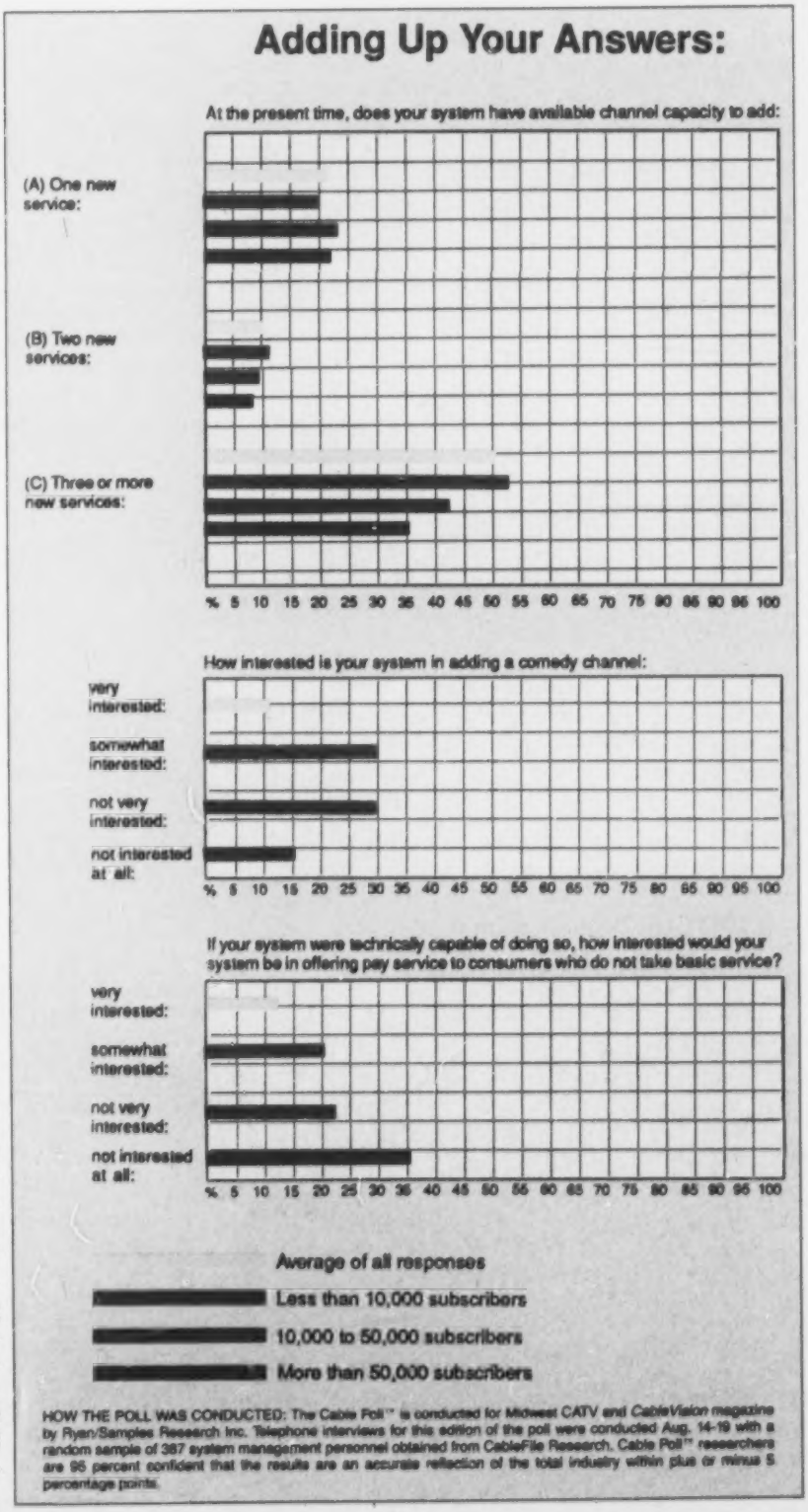
service gains full-time carriage on a number of systems.

Also contending for those precious spots on the dial are The Comedy Channel, the HBO service which launched last month to a universe of roughly four million, and HA!, which plans an April launch. As part of the survey on available capacity, operators were asked how interested they are in adding a comedy channel, and the results show that the industry is about evenly divided on the topic.

Overall, 12 percent of operators said they were very interested in comedy, counterbalanced by the 16 percent who said they were not interested at all. The bulk of the industry falls in the middle, evenly split at 30 percent each among those who are somewhat interested and not very interested. Interestingly, that breakdown remains fairly constant among operators of small, medium or large systems or whether the system is owned by a small, medium or large MSO.

The survey also attempted to gauge operator interest in the concept of offering pay service to customers who do not take basic. Surprisingly, about a third of all operators surveyed said they were very or somewhat interested in marketing pay separately from basic. The positive responses are noticeably greater at smaller systems and those owned by smaller MSOs, segments of the industry which tend to have high penetrations and where additional subscriber revenue often is dependent on increased pay ratios. Driving home that point, operators of systems with more than 50,000 subscribers, which tend to be the newer, urban systems where increased basic penetration is a priority, expressed zero interest in marketing pay separately. ■

Adding Up Your Answers:


At the present time, does your system have available channel capacity to add:
(A) One new service:
(B) Two new services:
(C) Three or more new services:
% 5 10 15 20 25 30 35 40 45 50 55 60 65 70 75 80 85 90 95 100
How interested is your system in adding a comedy channel:
very interested:
somewhat interested:
not very interested:
not interested at all:
% 5 10 15 20 25 30 35 40 45 50 55 60 65 70 75 80 85 90 95 100
If your system were technically capable of doing so, how interested would your system be in offering pay service to consumers who do not take basic service?
very interested:
somewhat interested:
not very interested:
not interested at all:
% 5 10 15 20 25 30 35 40 45 50 55 60 65 70 75 80 85 90 95 100
Average of all responses
Less than 10,000 subscribers
10,000 to 50,000 subscribers
More than 50,000 subscribers

HOW THE POLL WAS CONDUCTED: The Cable Poll™ is conducted for Midwest CATV and *CableVision* magazine by Ryan/Samples Research Inc. Telephone interviews for this edition of the poll were conducted Aug. 14-19 with a random sample of 387 system management personnel obtained from CableFile Research. Cable Poll™ researchers are 95 percent confident that the results are an accurate reflection of the total industry within plus or minus 5 percentage points.

DATABASE

Subscriber Count

Satellite national services

Basic services	Affiliates	Subscribers
ACTS Satellite Network	387	9,000,000
Alternate View Network	300	4,500,000
Arts & Entertainment Network (A&E)	4,300	41,000,000
Black ..ntertainment Television	1,800	24,218,000
CNBC	750	13,000,000
Cable News Network	12,177	52,600,000
Cable Value Network	1,800	23,300,000
C-SPAN	3,341	46,600,000
C-SPAN II	649	18,106,660
The Comedy Channel (new)	N.A.	4,500,000
Country Music Television	1,092	9,124,974
The Discovery Channel	5,324	44,090,000
Eco/Galavision	300	1,000,000
ESPN	20,500*	53,400,000
Eternal Word Television Network	580	13,300,000
The Family Channel	8,424	47,000,000
Family Guide Network	60	4,500,000
FamilyNet	388	3,500,000
The Fashion Channel	650	10,100,000
Financial News Network	3,500	31,219,000
FNN/Score	1,600	20,000,000
Headline News	4,443	39,400,000
Home Shopping Network	1,488	16,928,895
Home Shopping Network II	384	6,796,525
The Inspirational Network	920	9,500,000
International Television Network	25	7,868,900
J.C. Penney TV Shopping Channel	119	5,100,000
KTVT	417	3,600,000
The Learning Channel	1,150	18,000,000
Lifetime	3,800	44,177,000
Mind Extension University	156	4,900,000
MTV	5,405	47,137,000
Movietime	447	13,000,000
The Nashville Network	8,318	45,923,000
National College Television	380	6,569,228
Nick At Nite	3,440	39,600,000
Nickelodeon	6,600	47,183,000
The Nostalgia Channel	414	6,000,000
Prevue Guide	400	12,000,000
QVC Network	1,000	14,100,000
RFD TV	30	2,182,190
Silent Network	189	13,600,000
SportsChannel America**	N.A.	1,500,000
TBS Superstation	13,013	51,000,000
Telemundo***	5	100,000
TNT	3,896	33,400,000
The Travel Channel	659	11,000,000
Trinity Broadcasting Network	725	9,100,000
Univision***	500	509,500
USA Network	10,100	48,427,000
VH-1	2,530	32,390,000
Vision Interfaith Satellite Network	315	6,200,000
The Weather Channel	3,700	39,200,000
WGN-TV	11,415	24,900,000
WWOR-TV	2,600	12,500,000
WPIX-TV	858	9,678,474
WSBK-TV	57	350,808
Bonus/basic services		
American Movie Classics	1,700	20,000,000
Bravo	375	3,000,000
Pay services		
Cinemax	3,650	6,600,000
The Disney Channel	5,700	4,337,300
Home Box Office	7,400	17,000,000
The Movie Channel	3,250	2,700,000
Showtime	6,000	6,600,000
Audio services		
AEI Lifestyle	142	2,578,838
AEI StarTracks Vocal Hits	26	854,390
C-SPAN Audio Network	8	548,100
C-SPAN Audio Network II	4	440,700
Cable Radio Network	62	2,300,000
Galatic Radio	165	4,300,000
KKGO Super Jazz	18	133,639
Moody Bible Institute	63	1,058,368
Satellite Radio Network	237	483,000
Tempo Sound	125	1,250,000
WFMT Chicago	170	1,259,804
Text services		
AP News Cable	185	2,500,000
AP Business Plus	54	1,400,000
AP News Plus	75	2,100,000
Cable SportsTracker	41	875,000
EPG	280	6,800,000
EPG Jr.	330	300,000
Genesis Storytime	39	1,550,000
NuStar	351	10,097,742
Reuters NewsView	127	2,437,000
Computer services		
DBC/MarketWatch	462	9,200,000
X*Press Executive	487	14,000
X*Press X*Change	487	14,000

Non satellite-fed national services

Basic services	Affiliates	Subscribers
Cable Video Entertainment	190	18,000,000
Consumer Classified Ad Network	3	195,000
Fuji Network	3	12,000
Vector Consumer Shopping Guide	9	325,000
Pay services		
Nippon Golden Network	5	13,600

Interactive services

Basic services	Affiliates	Subscribers
Video Jukebox Network	40	4,000,000

Regional services

Basic services	Affiliates	Subscribers
Arizona Sports Programming Network	N.A.	210,000
Atlanta Interfaith	7	180,000
Bay Area Religious Channel	6	113,000
Cable TV Network of New Jersey	34	1,396,451
The Ecumenical Channel	9	170,000
KBL Entertainment Network	67	1,200,000
Life Newsvision	35	50,000
Madison Square Garden Network	168	3,400,000
Meadows Racing Network	14	600,000
News 12 Long Island	4	594,000
Midwest Sports Channel	90	275,000
Niagara Frontier Sports Network	13	800,000
Northwest Cable Sports Network	3	700,000
Pennarama	28	750,000
Prime Cable	9	381,938
Prime Sports Network	11	300,000
Prime Ticket	115	3,500,000
SportsChannel (Chicago)	50	1,507,270
SportsChannel (Ohio)	2	280,000
Sunshine Network	200	2,310,000
Pay services		
Home Sports Entertainment	250	1,000,000
Home Team Sports	125	1,200,000
New England Sports Network	171	317,201
Prism	87	427,000
Pro-Am Sports	173	523,000
SportsChannel (Florida)	22	650,000
SportsChannel (Los Angeles)	76	125,000
SportsChannel (New England)	154	1,028,431
SportsChannel (New York)	100	1,300,000

Note: Figures for affiliate/subscriber counts will be updated quarterly unless information is provided by the service. Send information to: CableVision, Cable Stats, 345 Park Avenue South, 9th Floor, New York, NY 10010.
N/A denotes information not available.
***Includes MMDS and SMATV systems**
****Count represents standalone affiliates/subscribers; portions of SC America are carried on Home Team Sports and the SportsChannel family of regional services.**
*****Spanish-speaking households.**

Announced services

Satellite-fed services	Expected launch
American Western Network	1st Quarter 1990
The Asia Network	1st Quarter 1990
Cable Shopping Mall (QVC/CVN II)	2/90
Career Channel Network	1990
CD16: The Digital Music Network	4th Quarter 1989
Cowboy TV Network	3/90
Digital Cable Radio	12/89
Digital Radio Channel	12/89
The Gaming Network	9/90
The Global Channel	1st Quarter 1990
Global Village Network	3rd Quarter 1990
HA! TV Comedy Network (MTV)	4/90
The How-To Channel	2nd Quarter 1990
Maximum Entertainment Network	1990
Mizlou Sports News Network	2/90
Music Image Channel	1990
The Sci-Fi Channel	4th Quarter 1990
Talk Television	1990

Non satellite-fed services	Expected launch
ACTV	1st Quarter 1990
Main Street	1990
On Demand/UTV TV Network	1990

DATABASE

Cable Network Ad Performance

Sept. 1989 billings	Sept. 1988 billings	Year-to-year dollar change	Year-to-year percent change
$82,845,772	$64,704,202	$18,141,157	21.8%

3rd quarter 1989 billings	3rd quarter 1988 billings	Year-to-year dollar change	Year-to-year percent change
$223,751,852	$186,546,546	$37,185,306	16.6%

Top 10 cable net sponsors/Sept. 1989

1.	Procter & Gamble	$3,687,214	6.	RJR Nabisco/KKR	$1,371,007
2.	Anheuser-Busch	2,630,602	7.	Mars Inc.	1,339,226
3.	Time Warner	2,197,915	8.	General Motors	1,209,025
4.	General Mills	2,088,254	9.	Dow Chemical	1,201,479
5.	Sears	1,410,079	10.	American Home Products	1,128,088

Top 10 cable net sponsors/3rd Quarter 1989

1.	Procter & Gamble	$8,374,365	6.	Mars Inc.	$3,888,129
2.	Time Warner	8,097,898	7.	General Motors	3,685,571
3.	Anheuser-Busch	7,894,227	8.	Philip Morris	3,640,024
4.	General Mills	5,389,822	9.	Sears	3,390,702
5.	RJR Nabisco/KKR	5,217,423	10.	American Home Products	3,365,324

Source: Broadcast Advertising Reports data; figures represent combined billings of CNN, ESPN, Family Channel, MTV, USA and TBS Superstation

	3rd Qtr. 1989 billings	3rd Qtr. 1988 billings	Year-to-year dollar change	Year-to-year percent change
CNN	$26,586,266	$24,765,695	$ 1,820,571	6.8%
ESPN	46,978,549	34,746,816	12,231,733	26.0%
FAMILY	24,851,033	17,675,984	7,175,049	28.8%
MTV	28,600,767	27,167,811	1,432,956	5.0%
TBS	54,892,748	52,142,880	2,749,868	5.0%
USA	43,842,489	30,047,360	13,795,129	31.4%

Source: Broadcast Advertising Reports data

Subscriber Universe Estimates

	Total TV households	Cable TV households	Homes passed	Cable percent of TV households
A.C. Nielsen	92,100,000	52,589,100	N.A.	57.1%
Arbitron	90,000,000	49,039,500	N.A.	54.5%
Paul Kagan Associates	89,000,000	45,900,000	76,900,000	51.1%

Subscriber numbers as of Nov. 1989
Nielsen figures include Alaska & Hawaii